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UNITED STATES BANKRUPTCY COURT

EASTERN DISTRICT OF CALIFORNIA

## FRESNO DIVISION

In re

Case No. 17-13797

**TULARE LOCAL HEALTHCARE DISTRICT, dba TULARE REGIONAL MEDICAL CENTER.**

DC No.: WW-1

**Debtor.**

Date: October 12, 2017

Time: 10:30 a.m.

Place: 2

Preskie, CR 93-21  
Courtroom 13

Tax ID #: 94-6002897  
Address: 869 N. Cherry Street  
Tulare, CA 93274

Judge: Honorable Rene Lastreto II

**DECLARATION OF RICHARD GIANELLO IN SUPPORT OF MOTION FOR  
AUTHORIZATION TO REJECT EXECUTORY CONTRACT  
(HEALTHCARE CONGLOMERATE ASSOCIATES, LLC)**

I, Richard A Gianello, declare:

1       1. I am a Partner at Wipfli LLP/HFS Consultants (“HFS”), who has been hired as an  
2 advisor and crisis manager for Debtor TULARE LOCAL HEALTHCARE DISTRICT, dba TULARE  
3 REGIONAL MEDICAL CENTER (“Debtor”). I have personal knowledge of the events and facts  
4 described in this Declaration, and if called upon to testify about the same, could and would  
5 competently do so.

6       2. I am submitting this Declaration in Support of Debtor’s Motion for Authorization to  
7 Reject Executory Contract (Healthcare Conglomerate Associates, LLC (“HCCA”).

8       3. The Board retained HFS during a Special Board Meeting on October 4, 2017. HFS has  
9 a long history of assisting hospitals and hospital districts who are in financial crisis. The purpose of  
10 our retention was for HFS to serve an interim role and have no intentions as serving as the long term  
11 manager for the Debtor, and specifically its Board. To delivery transparency, the Board indicated a  
12 desire to have an objective set of eyes to evaluate the Debtor’s operations, provide meaningful  
13 analysis and report on the current financial position so that the Debtor and its Board can understand all  
14 of the issues it is facing and make informed decisions and recommendations. HFS was also intended  
15 to act an intermediary to communicate with and evaluate the information being provided by current  
16 management

17       4. As part of our scope of work, we have evaluated the applicable to which Debtor has  
18 bond indebtedness. General Obligation Bonds, Election of 2005, Series A (2007); interest at 4.0% to  
19 4.65% due semi-annually; principal due in annual amounts ranging from \$15,000.00 on August 1,  
20 2012 to \$2 million due on August 1, 2037; collateralized by ad valorem tax revenues. General  
21 Obligation Bonds, Election of 2005, Series B (2009); interest at 6.45% to 8.0% due semi-annually;  
22 principal due in annual amounts ranging from \$100,000.00 on August 1, 2014 to \$17,240,000.00 due  
23 on August 1, 2039; collateralized by and valorem tax revenues. Series 2007 Refunding Revenue  
24 Bonds: Interest at 3.75% to 5.2% due semi-annually; principal due in annual amounts ranging from  
25 \$405,000.00 due on November 1, 2008 to \$1,210,000.00 due on November 1, 2032; collateralized by  
26 District revenues.

27       5. Based on my review of the documents available to me, all bonds were current as of the  
28 date of this Declaration.

1       6.     The current Fitch rating for the Debtor is CC which was revised downward on or about  
2 September 7, 2017.

3       7.     In connection with my work with hospital, I understand that under California law,  
4 hospitals are required to treat any person who presents at the emergency room without regard to the  
5 patient's ability to pay for services. The District accepts all patients regardless of their ability to pay.  
6 The District absorbs the costs of medical care for uninsured patients who account for a very large  
7 percentage of its volume. It is my understanding that a patient is classified as a charity patient by  
8 reference to certain established policies of the political district. Essentially, these policies define  
9 charity services as those services for which no payment is anticipated.

10      8.     I am informed and believe that the Debtor has agreements with third party payors that  
11 provide for payments to TRMC at amounts different from its established rates. A summary of  
12 payment arrangements with major third party payors follows:

13       a.     MediCare: Payments for inpatient acute care services rendered to MediCare  
14 program beneficiaries are based on prospectively determined rates, which vary according to the  
15 patient diagnostic classification systems. Outpatient services are generally paid under an outpatient  
16 classification system subject to certain limitations. The Debtor is subject to cost reimbursable services  
17 in rural healthcare services. As I understand it, filed cost reports are subject to final settlements  
18 determined after submission of the annual cost reports and audits thereof by the MediCare fiscal  
19 intermediary.

20       b.     Medi-Cal: Payments for inpatient acute care services rendered to MediCal  
21 program beneficiaries are based on prospectively determined rates, which vary according to the  
22 patient diagnostic classification systems. Outpatient services are generally paid through an outpatient  
23 published fee schedule.

24       c.     Other: Payments for services rendered to other than MediCare and Medi-Cal  
25 patients are based on established rates or on agreements with certain commercial insurance  
26 companies, health maintenance organizations and preferred provider organizations which provide for  
27 various discounts from established rates.

28     ///

1                   d. Medi-Cal and Medicare programs, which represents, as I understand it, a  
2 considerable amount of gross patient revenues, are highly regulated and controlled, are subject to  
3 frequent changes in reimbursement levels based upon actions of the California Department of Health  
4 Care Services, the U.S. Department of Health and Human Services (CMS) and Congress. In addition,  
5 many private insurers base their payment schedules on a percentage of Medicare rates. Payment  
6 reductions by Medi-Cal and Medicare negatively affect the Debtor's revenue.

7                   9. As of the date of this Declaration, HFS has not been able to obtain any meaningful  
8 financial information would enable HFS to evaluate the current operations of the hospital, including  
9 what payments have been received from any of the above referenced programs.

10                  I declare under the penalty of perjury and the laws of the state of California that the foregoing  
11 is true and correct. This declaration was executed by the undersigned on this 10 day of October,  
12 2017, in Oakland, California.



Richard Gianello

27 00158909-gaa-10.10.2017

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